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FLUOR

July 28, 2004

Fernald Closure Project
Letter No. C:BSOP(CA/PC):2004-0049

Mr. P.T. Ameen
Assistant Vice President of Technical Services
Association of American Railroads
50 F Street N.W.
Washington, D.C. 20001-1564

Dear Mr. Ameen:

**REQUEST FOR EXTENSION OF POST-VISUAL INSPECTION YEAR TIME PERIOD – OHFX
GONDOLA RAILCARS SUBJECT TO AAR EARLY WARNING EW-5196**

As you know, Fluor Fernald, Inc. (Fluor Fernald) operates a fleet of gondola railcars for the Department of Energy at Fernald, Ohio. Based on the American Association of Railroads (AAR) issued Early Warning EW-5196, Fluor Fernald identified 190 railcars from the fleet that have truck bolsters subject to the early warning criteria. This letter provides an update of actions Fluor Fernald has taken to date to ensure the bolster issue is handled in accordance with AAR requirements. Also, Fluor Fernald requests a time extension for a number of railcars that may not have replacement bolsters installed by the end of the one-year grace period after satisfactory completion of direct visual inspection.

Since being made aware of the suspect bolster issue, Fluor Fernald has taken the following actions:

1. Performed a direct visual inspection of those railcars in the fleet affected. Inspections commenced October 28, 2003 and were completed December 9, 2003.
 2. Submitted results of the direct visual inspection to the AAR via electronic mail December 10, 2003. (See enclosed)
 3. Direct visual inspection resulted in identification of bolsters on four (4) railcars that did not pass the inspection and were subsequently removed from service.
 4. Issued a purchase order for 20 bolsters in anticipation of additional urgent needs. (See enclosed)
 5. Replaced all eight (8) bolsters on the 4 railcars that failed direct visual inspection. (See enclosed)
 6. Awarded a contract for procurement, fabrication, and replacement of all bolsters on the remaining one hundred eighty six (186) railcars in the fleet. (See enclosed)
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As you are also aware, there is a rail industry-wide shortage of replacement bolsters. This fact has a direct affect on Fluor Fernald's ability to complete all bolster replacements within one year following direct visual inspection for all cars.

Fluor Fernald anticipates the replacement work to commence in late October 2004, with a completion date of January 31, 2005. The bolster replacement vendor projects delivery of twenty-eight (28) bolsters per week to the replacement facility. At the expected rate of bolster replacement, Fluor Fernald anticipates that one hundred eight (108) railcars will not have all bolsters replaced by December 9, 2004. However, Fluor Fernald requests that AAR grant an interim extension of these railcars to June 30, 2005 to ensure bolster replacement project completion. Granting this extension would allow the 108 railcars to remain in service and allow for potential bolster production, delivery, and installation delays.

In support of this request Fluor Fernald points out:

1. The railcars have relatively low mileage (approximately - 75,000 loaded miles, 150,000 total miles), not subject to humping, are in low impact switching operations, and in excellent overall condition. (See enclosed photo.)
2. The railcars' cargo is a fine-grained material that is loaded by front-end loader and not dropped from a high elevation into the railcars. The railcars are loaded 4 cubic yards at a time.
3. The cars are in dedicated service as unit trains ranging from 55 to 65 railcars, with an average of 61 railcars per unit train.
4. Unit trains depart the Fernald Closure Project about every 18 days.
5. Fluor Fernald has successfully shipped 121 unit trains to date.
6. The route, from the Fernald Closure Project, near Cincinnati, to Envirocare of Utah, at Clive, Utah, is approximately 4000 miles round trip.
7. At Envirocare the railcars are unloaded individually on a rollover.
8. Fluor Fernald operates a fleet of 250 railcars total. This results in each railcar making the trip approximately 7 times per year.
9. A 2nd visual inspection will be conducted on any railcar before it is loaded if it is still in service if it reaches the 1-year anniversary date of the 1st inspection.

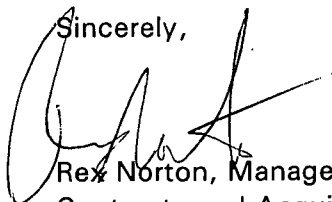
Fluor Fernald is concerned about safe transport of the cargo shipped. This is demonstrated by our actions in support of the AAR early warning letter, bolster direct-visual inspection procedure, and bolster replacement procurements. However, Fluor Fernald wishes to maintain its present shipping schedule to ensure the Department of Energy meets its objectives at Fluor Fernald. The industry-wide bolster shortage and resulting replacement delay will directly result in removal of a significant number of railcars from service unless an extension is granted. Fluor Fernald requests this extension until June 30, 2005 so we can make necessary operational adjustments to minimize schedule impacts on our remaining unit train shipments.

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If there is anything Fluor Fernald can do to expedite this matter or provide additional information, please do not hesitate to contact our office. Technical questions should be directed to Jeff Rowe, 513-648-5812.

Thank you in advance for your assistance and cooperation in this matter.

Sincerely,



Rex Norton, Manager
Contracts and Acquisitions

RN:DS:plp:jmb

Enclosures (5)

- 1) Railcar Bolster Inspection Report
- 2) Purchase Order 03FF1005 for 20 bolsters
- 3) Purchase order 04FF0380 for replacement of 8 bolsters
- 4) Contract FBO4PB 17264 replacement of 372 bolsters
- 5) Railcar photo

c: Without enclosures
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Administrative Record, MS78